

October 24, 2002

NORTHERN UTILITIES, INC. – MAINE
Proposed Cost of Gas Factor
November 2002 through April 2003

EXAMINERS' REPORT

NOTE: This report is written in the form of an Order; however, it is the Staff's recommendation only and does not constitute formal Commission action. Parties may file exceptions to this Report by noon on October 28, 2002. We anticipate that the Commission will consider this case at its deliberative session on Tuesday, October 29, 2002.

I. SUMMARY

We allow Northern Utilities, Inc. (Northern) to put into effect its revised Cost of Gas Factor (CGF) rates that include a revised Wells Surcharge of \$0.0110 per ccf as of November 1, 2002.

II. PROCEDURAL HISTORY

On August 15, 2002, pursuant to 35-A M.R.S.A. § 4703 and Chapter 430(2) of the Commission's Rules, Northern filed its proposed CGF for the Winter 2002 - 2003 gas usage period, as well as its proposed change to the Environmental Recovery Cost Adjustment (ERCA) as allowed in Docket No. 96-678. The Commission issued a Notice of Application to interveners in prior CGF cases and by publication in newspapers of general circulation in Northern's service area. As initially filed, Northern's proposed 2002-2003 Winter CGF would result in a 4.75% increase for its highest usage residential customers.

On August 23, 2002, the Office of the Public Advocate (OPA) intervened. To investigate the proposed CGF changes, the Advisory Staff issued data requests to the Company on its filing. A preliminary hearing and technical conference was held on September 24, 2002, at which the Advisory Staff and OPA explored the issues raised by this filing. On September 27, 2002, the Hearing Examiner issued a procedural order setting the remaining schedule in this case.

On October 22, 2002, the Commission issued an Order in this case directing Northern to file an updated CGF filing on October 25, 2002, reflecting the findings in that order. On October 24, 2002, Northern filed a letter indicating that it had found an error

in the calculation of one item of its CGF, and it proposed that Northern include the corrected rate in its the October 25, 2002 compliance filing.¹

On October 24, 2002, the Staff issued a proposed order recommending that Northern be allowed to include the correction in its updated filing.

III. RECORD

The record in this proceeding includes all filings, data responses, transcripts, and any other materials provided in this proceeding.

IV. DISCUSSION AND RECOMMENDATIONS

In its October 24, 2002 letter, Northern stated that during an internal review of its accounting records for the Wells Surcharge,² they discovered an error in the November 2000 – April 2001 Wells reconciliation. Northern inadvertently used a rate greater than the approved tariff rate to calculate the actual collections during the prior period. As a result, Northern reduced the collections allowable during that period by its estimated over-collection of \$115,544. When Northern recalculated its reconciliation schedule using the authorized Wells Surcharge rate, it showed an under-collection of \$10,574. This error resulted in Northern collecting \$126,118 less than it should have over the 2001 – 2002 winter period and the 2002 summer period.

Northern proposed to recalculate its Wells Surcharge for the 2002 – 2003 winter period to include \$126,118 in the Wells Surcharge. As initially filed, Northern proposed to collect \$654,179 or a rate of \$0.0093 per ccf. With this proposed adjustment, Northern would collect \$780,297 or a rate of \$0.011 per ccf, a difference of \$0.0017.

In its telephone conversation with Staff, Northern indicated that the increase in the Wells surcharge would cause an increase in the CGF rate to residential customers of 5.84% instead of the 5.68% increase that its preliminary calculation of the CGF filing to be made on October 25, 2002 showed.

Because the rate increase is not material and we allowed Northern to collect a specific amount for Wells project costs in Docket No. 99-259, we approve Northern's

¹ Northern notified the Staff of this error by telephone on October 23, 2002. After the telephone conversation, Staff notified the OPA of the discussion and the content of the discussion.

² In *Docket No. 99-259, Maine Public Utilities Commission Investigation of Northern Utilities, Inc.'s Termination of Agreement with Granite State Transmission Company*, the Commission approved a settlement allowing Northern to collect certain costs billed to it by Granite State Transmission Company (Granite) for costs incurred on the cancelled Wells LNG facility project. Northern labeled the charge as the "Wells Surcharge" in its Cost of Gas Factor rate schedule.

proposed adjustment. However, Northern should be aware that we have noted the continuing errors on its part. Although this error did not result in increased costs to ratepayers through additional carrying charges, there is no guarantee that we will allow full recovery for future errors of other CGF elements.

V. CONCLUSION

We allow Northern to put into effect its rates that include a corrected Wells surcharge rate of \$0.011 effective November 1, 2002.

Respectfully submitted,

Carol A. MacLennan
Hearing Examiner

And

Lucretia Smith
Finance, Utility Analyst